

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
DOCKET NO. 897-1
OFFICE OF THE SECRETARY

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ALEXANDROVICH TO INTERROGATORIES OF THE OFFICE OF THE
CONSUMER ADVOCATE REDIRECTED FROM THE POSTAL SERVICE
(OCA/USPS-T5-14)

The United States Postal Service hereby provides responses of witness Alexandrovich to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-13 and 14, filed on August 29, 1997 and redirected from the Postal Service.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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September 12, 1997

Response of United States Postal Service Witness Alexandrovich
to
Interrogatories of OCA
(Redirected from the United States Postal Service)

OCA/USPS-13. Please confirm that the following figures may be found in the CRA for FY 1996 (filed with the Commission on June 6, 1997; hereinafter "CRA") and the Cost Segments and Components for base year 1996 (filed in the instant proceeding as Exhibit USPS-5A; hereinafter "5A").

- a. total volume variable costs for special fourth-class rate (hereinafter "SFCR") of \$248.3 million (CRA). If you do not confirm, please provide the correct figure.
- b. total volume variable costs for SFCR of \$226.5 million (5A). If you do not confirm, please provide the correct figure.
- c. total volume variable costs for library rate (hereinafter "LR") of \$52 million (CRA). If you do not confirm, please provide the correct figure.
- d. total volume variable costs for LR of \$47.8 million (5A). If you do not confirm, please provide the correct figure.

Also, confirm that the following calculations may be made from figures cited in parts

a. - d. above:

- e. the difference between total volume variable costs for SFCR (CRA) and total volume variable costs for SFCR (5A) is:
 $248.3 - 226.5 = 21.8$; i.e., a decline in the total volume variable costs for SFCR of \$21.8 million from CRA to 5A. If you do not confirm, please provide alternative, correct calculations.
- f. the difference between total volume variable costs for LR (CRA) and total volume variable costs for LR (5A) is:
 $52 - 47.8 = 4.2$; i.e., a decline in the total volume variable costs for LR of \$4.2 million. If you do not confirm, please provide alternative, correct calculations.
- g. the ratio of the decline in SFCR total volume variable costs to the decline in LR total volume variable costs is $21.8 \div 4.2 = 519\%$. If you do not confirm, please provide alternative, correct calculations.

Response to OCA/USPS-13

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.

Response of United States Postal Service Witness Alexandrovich
to
Interrogatories of OCA
(Redirected from the United States Postal Service)

Response to OCA/USPS-13 (cont.)

- e. Confirmed.
- f. Confirmed.
- g. The arithmetic is confirmed.

Response of United States Postal Service Witness Alexandrovich
to
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OCA/USPS-14. Please explain why ratios calculated in similar fashion from the following cost segments and components vary so markedly from the overall 519-percent ratio given in part g. of OCA/USPS-13.

- a. C/S 2.2 (Supervisors and Technicians, Window Service).
- i. SFCR cost difference from CRA to 5A of \$84 million, calculated as follows:
 $\$382 \text{ million (CRA)} - 298 \text{ (5A)} = 84$; this represents a *decline* for SFCR of \$84 million.
 - ii. LR cost difference from CRA to 5A to of \$7 million, calculated as follows:
 $\$9 \text{ (5A)} - 2 \text{ (CRA)} = 7$; this represents an *increase* for LR of \$7 million.
 - iii. ratio of SFCR to LR change: $84 + 7 = 1200\%$
 - iv. explain why SFCR enjoys a 12-to-1 benefit over LR for this component (as compared to the 519% overall ratio). If any figures or calculations in a.i.-iv. are found to be incorrect, please provide corrections and discuss.
- b. C/S 3.2 (Clerks and Mailhandlers, CAGs A-J, Window Service).
- i. SFCR cost difference from CRA to 5A of \$1123 million, calculated as follows:
 $\$4310 \text{ million (CRA)} - 3187 \text{ (5A)} = 1123$; this represents a *decline* for SFCR of \$1123 million.
 - ii. LR cost difference from CRA to 5A to of \$74 million, calculated as follows:
 $\$99 \text{ (5A)} - 25 \text{ (CRA)} = 74$; this represents an *increase* for LR of \$74 million.
 - iii. ratio of SFCR to LR change: $1123 + 25 = 1518\%$
 - iv. explain why SFCR enjoys a 15-to-1 benefit over LR for this component (as compared to the 519% overall ratio). If any figures or calculations in b.i.-iv. are found to be incorrect, please provide corrections and discuss.

Response to OCA/USPS-14 a and b

The costs for these components are in thousands, not millions as presented in your question (e.g., component 2.2 costs for library rate are \$2,000 in fiscal year 1996 and \$9,000 in the base year). Also, in section

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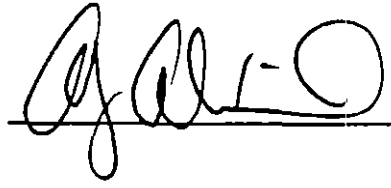
Response to OCA/USPS-14 (cont)

iii of part b, it is difficult to determine what the correct calculations are intended to be. As stated $1123/25 = 1518\%$ is not correct. The correct result of $1123/25$ is 4492% . If the equation is supposed to parallel the one used in part a, the expression would be $1123/74 = 1518\%$. It appears that this version is the one intended, but due to the manner in which the question is constructed, it's not entirely clear.

Nonetheless, changes in the volume variable costs between the fiscal year and base year for component 2.2 are the direct result of changes in component 3.2. As discussed at pages 4-5 of my testimony, and at greater length in the testimony of witnesses Brehm and Degen, the base year introduces changes in the volume variabilities of various window service activities and in the distribution of segment 3 costs. Segment 2 volume variable costs are distributed in proportion to their corresponding segment 3 activities in both the fiscal year and base year cost development.

DECLARATION

I, Joe Alexandrovich, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Joe Alexandrovich", is written over a horizontal line. The signature is stylized and cursive.

Dated: 9/12/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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